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HOUSE OF COMMONS SESSION 1997–98

COMMITTEE OF PUBLIC ACCOUNTS

REGULATION AND SUPPORT OF CHARITIES

MINUTES OF EVIDENCE

Wednesday 3 December 1997

CHARITY COMMISSION FOR ENGLAND AND WALES
Mr Richard Fries and Ms Lynne Berry

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MINUTES OF EVIDENCE

TAKEN BEFORE THE COMMITTEE OF PUBLIC ACCOUNTS

WEDNESDAY 3 DECEMBER 1997

Members present:

Mr David Davis, in the Chair

Mr Alan Campbell	Mr Christopher Leslie
Ms Maria Eagle	Mr Andrew Love
Ms Jane Griffiths	Mr Richard Page
Mr Phil Hope	Mr Alan Williams

SIR JOHN BOURN, KCB, Comptroller and Auditor General, further examined.

REPORT BY THE NAO: REGULATION AND SUPPORT OF CHARITIES (HC 2)

Examination of Witnesses

MR RICHARD FRIES, Chief Commissioner, and MS LYNNE BERRY, Executive Director, Charity Commission for England and Wales, examined.

MR FRANK MARTIN, Second Treasury Officer of Accounts, HM Treasury, further examined.

Chairman

1. Good afternoon. This afternoon we are considering the C&AG's Report on the Charity Commission, *Regulation and Support of Charities*. We welcome Mr Fries and could you just introduce your colleague for us before we start?

(Mr Fries) Lynne Berry is the Executive Director in the Commission.

2. I should say just at the beginning for your information that we will have a short closed session at the end which we would like you to stay for. We have to cover some issues which cannot be dealt with in public. My first question for you is that I see from Appendix 1 in the report that the Commission achieved only eight out of 22 performance targets in 1995/96 and less than half of its targets in 1996/97. Can you shed some light on this? Is the Commission seriously under-performing or are you setting yourself unrealistic targets?

(Mr Fries) I think it reflects the range of targets set there and the process of development and improvement. We improved on a range of customer service targets, for example, in the current year. They are fairly recently set targets and in that sense I think it measured certainly performance that we needed to improve and are devoting our attention to improving.

3. If you were a commercial concern, we would not be very happy with eight out of 22 or less than half the targets being achieved. What action are you taking for the future on these matters?

(Mr Fries) The whole process of developing the Commission has involved improving management and improving the way in which the different functions of the Commission have been operating, investigation, the charity support function, the registration function, and introducing what in effect is a new function of monitoring which only really started last year under the new legislation.

4. I will come back to a number of monitoring issues in some of the questions. I note from paragraph 2.18 that a person with a criminal conviction is not disqualified from becoming a trustee and the Commission does not hold a comprehensive list of individuals considered unsuitable to be trustees (that is in paragraph 2.20), nor were you maintaining details of trustees, employees or fund-raisers prosecuted following investigations (and that is in paragraph 4.26). Are you doing enough to prevent individuals who may be unsuitable from becoming charity trustees?

(Mr Fries) There are various stages and ways in which we can take action in respect of trustees. The new database that was introduced earlier this year with the new monitoring will give us information about trustees in a way that we have never had before. Alongside that, we are improving the lists we have got of trustees that come to notice as being unsuitable where we need to consider what action might be taken.

5. We may come back to that. Paragraph 2.24 says that in response to the previous Committee's concern about the accuracy of the register, the Commission set itself a target for obtaining comprehensive information on at least 90 per cent of all active charities by September 1993. From figure 15, which from memory is on page 32, I learned that the Commission

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[**Chairman** *Contd*]
had not achieved that target by the end of 1996. When do you expect the register to have up-to-date, accurate information on active charities?

(Mr Fries) What we have found as a result of those mailing programmes, and I might say that the final figure for the fifth mailing that is recorded in that figure was a 76 per cent return, is——

6. So it is an increase on the 71 per cent here?

(Mr Fries) That was an interim figure. These are of course mailings, they were non-statutory mailings that we initiated as a result of the earlier evidence, the earlier report of this Committee. We have had a series of cycles and have moved on to the next one after the earlier one, but all that has been replaced by the comprehensive monitoring process that the 1993 Act introduced which actually came into operation in March 1996. This affected reporting years the year after that which combines a request for the basic information to maintain the register, plus the monitoring information required for the charities above the monitoring threshold of income of £10,000 a year. That is the vehicle that we are using now for maintaining the accuracy of the register, but we have to acknowledge that the experience before the new statutory framework and the nature of the return process that is now set up under the 1993 Act does raise questions about the extent to which it is actually possible to reach a target of 90 per cent. We are talking about over 180,000 charities, a large number of them very small. What we envisage doing in the light of experience under the 1993 Act is to review the extent to which we can get returns from small charities and take a view on the nature of the register that we can maintain under that.

7. Are you telling me at the end of all that that you cannot achieve 90 per cent?

(Mr Fries) I think it unlikely with the lack of statutory powers that we can actually enforce returns from the majority of small charities. It will be a question of trying to establish procedures that get returns so far as possible.

(Ms Berry) We will be expecting a 100 per cent return for charities with an income of over £250,000 per annum.

8. Thank you. I see from Figure 34 that you can call on substantial powers in undertaking investigations, in fact I think those were powers created as a result of a previous Committee of Public Accounts report. I note that the use of some powers have been devolved to regional operational managers. The NAO found that you were not collecting information on the use of these powers[1] or measuring effectiveness in individual cases. Surely this information is important in overseeing the use of powers and in enabling you to learn about circumstances where they can be used most effectively? What plans do you have to monitor the use of these powers in future?

(Mr Fries) Could I first describe the way in which the Commission's operations function and the nature of the regional operations managers?

9. If you can be brief, yes.

(Mr Fries) The Commission's structure was reorganised in 1995 in order to improve management and one of the initiatives we took then was to put one person in charge of operations in each of the Commission's three offices, that is the regional operations manager. One of the reasons for having an executive director is to make sure that is pulled together by the executive director responsible for the Commission's operations throughout the Commission, and using a management committee to co-ordinate that. All of this information is co-ordinated at management committee level, so in that sense the operations and their effectiveness is kept under management centrally.[1]

10. I see. The report indicates that there has been a marked increase over the years in resources devoted to investigation work but I notice in paragraph 4.14 that a large number of active cases per investigator continue to contribute to delay. Are you satisfied the Commission is in a position to investigate cases with sufficient thoroughness?

(Mr Fries) I think it is fair to say that the cases that the National Audit Office were looking at more than a year ago were cases that had been handled before we had reviewed the working of the investigation division and sought to focus its work. I am confident that the process of evaluation which we now have means that the way in which the investigation function operates now is much more focussed. That is not to say that cases will invariably be dealt with quickly, since cases can of their own nature extend for quite a long period. But, I do believe that they are under effective management to make sure that the reason for setting up the investigation, what is expected to be achieved, and to have a focus on managing the timescale of the investigation, are properly managed, yes.

11. Is the result of that that they are dealt with in a more timely manner now than they were?

(Mr Fries) Yes.

12. My last question before I open the matter up to the Committee, Figures 20 to 24 contain useful information which the National Audit Office produced on the characteristics of charities requiring support from the Commission. I note that you were not yourselves carrying out such analysis. What is the Commission doing to improve the information it has about support work and to use this information to focus support more effectively?

(Mr Fries) Two things are important to highlight on that. First, the development of the case management system that is referred to in the report, which was fairly new at the time of the study, is now an integral working tool of Commission operations. That records the nature of the cases that the charity

[1] *Note by Witness:* The Commission routinely collect information on the use of powers [see Evidence, Appendix I, page 19 (PAC 87 Qs 74 and 79)].

[1] *Note by Witness:* The Management Committee receive monthly updates on a range of performance measures, including quality review, citizens charter and productivity.

[**Chairman** *Contd*]

support division is engaged in, for example. But, as the report acknowledged, we had recently started a review of the charity support process when the inquiry was being undertaken, and that has developed the work of the charity support division to make it more effective and more focused.

13. Do you feel you now have a management information system which gives you a reasonable degree of risk assessment for charities?

(Mr Fries) We are well on the way to that. We have made very significant developments and the integration of the systems, the charity data base which is the essential working tool with the information on the register, and the management information, will be the essential tools for effective working.[1]

Jane Griffiths

14. Looking at pages 24 and 25, paragraph 2.4, you have mentioned the data base as your most effective tool but it is not clear from this whether it really is up and running and supporting effective checks at the point of registration. Is that the case?

(Mr Fries) At the point of registration, we have streamlined the registration process to enable us to complete that more effectively and speedily. The data base records the charities which are accepted for registration. We are seeking to improve the processes by which registration takes place, both in terms of checks and timeliness.

15. Moving on to the question of trustees and the suitability of trustees and looking at page 30, paragraph 2.19, are all the members of staff who might deal with such matters fully briefed now on the existence of and how to use the register?

(Mr Fries) You are talking there about the register of trustees who have been removed or disqualified?

16. That is right.

(Mr Fries) Yes. We were, of course, sorry to find that was not readily accessible but it is now, and I can assure the Committee that is so. Might I perhaps add that it is actually a fairly small list, so in that sense it is not of great significance in terms of the routine registration process. I think it has about 47 entries on it.

17. You have said this is a small list but why are applications not routinely checked against that small list of unsuitable trustees?

(Mr Fries) They are.

18. In paragraph 2.20 there is no evidence in the cases sampled that they were routinely checked, but you are saying it does in fact happen?

(Mr Fries) This drew our attention to that fact.

19. On page 31, paragraph 2.22, with reference to applications for access to criminal records of prospective trustees, at what stage is the appeal against the decision of the Association of Police Officers now?

(Mr Fries) We have taken that up a second time and have not persuaded ACPO it would be right to give us access, but we are pursuing that further in consultation with the Home Office.

20. But you have no indication as to what the outcome might be on that?

(Ms Berry) They have turned us down twice and we have put in a third application.

21. Do you feel that hampers your work severely? The fact you at the moment cannot get that?

(Mr Fries) It certainly is a limitation. It means we have to rely on intelligence about unsuitable trustees. For example, in the context of charities where we fear there may be paedophile activity, we do co-operate with the police and others in that sort of context, but access to the PNC would certainly be a help.

22. Moving slightly back on the same page, at paragraph 2.21, it says there are records of people who are bankrupt and disqualified as directors and you would wish to have access to that information. The report says that you are currently negotiating on-line access so as to streamline those checks of bankrupts and people who are not permitted to be directors. What stage has that reached?

(Mr Fries) We do now have access to that record but it is not yet an on-line access.

23. This has been mentioned already, but on page 38, paragraph 2.43, the sample of 20 cases where there has been cause for concern, why was the paperwork lost in eight out of the 20 cases? I understand there are difficulties sometimes but why did that paperwork get lost?

(Mr Fries) The monitoring pilots that we were carrying out then were developmental monitoring tests that the Monitoring Unit was carrying out and they were not at that stage integrated into the work of the Commission. We have now moved on to proper, formal, integrated monitoring.

24. So if such a sample were to be done again, it——

(Mr Fries) I am confident that this would not occur now. We have a dedicated referrals officer in what is now called the Charity Database Division which is responsible for the whole process of monitoring and refers the cases to the operational divisions. Each division has a co-ordination officer and is required to report back, so I am confident that the pilots have had their effect[1] and this report has had its effect in demonstrating how we need to develop the systems for the statutory monitoring which has come into operation since the report.

25. Where cases are identified as giving cause for concern, as in the following paragraph, 2.44, where

[1] *Note by Witness:* The information contained in Figures 20, 21 and 24 is available from the case management system; the information contained in figures 22 and 23 is available from the new Charity Database.

[1] *Note by Witness:* The three pilot questionnaires were sent to total of 15,000 charities on a voluntary basis. They were specifically timed to predate the implementation of the new Act, thus ensuring out preparedness for the legislation.

[**Jane Griffiths** *Contd*]

there is an example of one charity where a sum of £350,000 is mentioned as a possible problem but no action was taken for three months, why is that?

(Mr Fries) That in fact, as I think the text may imply, was something that the Inland Revenue were themselves pursuing, so we had liaised with the Inland Revenue. The arrangements now ensure that when a case is referred to an operational division, action is taken and reported back, but I am not sure that that is an example of failure of action on our part.

Mr Hope

26. I am afraid I have to go at 5.30 as I am chairing a meeting of the All-Party Group on Charities at which I guess we will probably want to discuss a lot of these issues as well, Chairman. Could I turn to page 63, paragraph 4.26, where you say that the Commission does not maintain details of charity trustees, employees or fund-raisers prosecuted following investigations. I would have thought that was a fairly common-sense thing to do and that if people had been caught, prosecuted and dealt with by the courts, then you could quickly increase your list of 47 by quite a few more.

(Mr Fries) We are seeking to improve our liaison with the police. Not all of these cases, I think, will arise out of Commission action. We are developing better intelligence on dubious fund-raisers and access to the PNC would certainly help to make that more comprehensive.

27. It is just that there are millions of trustees and——

(Mr Fries) A million or so, yes.

28. —— and the number that, therefore, are potentially inappropriate to be there, I cannot believe it is only 47. Do you have any concerns that really you have not even touched the surface of what could be a significant problem in the charity world?

(Mr Fries) I think it is fair to say that hitherto the Commission systems had not enabled us to have a comprehensive relationship of that sort with trustees. The previous register provided us with a link with charities through a correspondent who was not necessarily even a trustee. It is only with the new register, the new database that we are developing where a return of trustees will actually be included and incorporated on the database that we can begin to have a comprehensive strategy in relation to this.

29. The relationship with other organisations appears to be fairly critical to achieving some early progress on that, but I note from both the comments on the banks and building societies and indeed in relationship with the Revenue that there is not much ground for optimism and that you feel that the building societies, you just hope they are going to provide you with some information, and the same with the Inland Revenue. Do you have any real plans to make those relationships more robust to get the information that you need?

(Mr Fries) Indeed we have taken action to make the relations more robust.

30. And do you feel that we might see some real progress in terms of the numbers on those lists that we would be concerned about?

(Mr Fries) Well, the list of removed trustees is, I think, a somewhat separate matter because that relates in particular to people who have been removed by our or the High Court powers. A list of trustees who have in some way failed in terms of integrity is something that has a much wider application and I do believe that we are making progress towards that.

31. The reason I am pursuing this issue forcefully is because increasingly the voluntary sector is involved in a considerable amount of public sector spend with voluntary sector programmes and that will increase, so the public needs to have the confidence that we have elected councillors who are responsible for that spend, like it has with employees of public authorities. It does not feel to me as though the Commission really has got a grip on what is a major problem and given the increasing amount of spend through the voluntary sector that that then is held on to and I just want to be convinced that you are taking that forward rigorously.

(Mr Fries) We are well aware of the issue. As I said, our information about trustees in the past has been very slight and we are now able to address those issues. We are actually having a review of fund-raising to see how we can improve our operational activities. As the monitoring develops, we will be able to see what contribution that can make to identifying charities that are at risk because the trustees cannot be trusted. It is, I have to say, very much a new area and a new potential. It is not something that we have been able to approach in this sort of way before we had the active comprehensive monitoring relationship.

32. Just on this area, your relationship with local government which gives a lot of contact to the voluntary organisations and it does know trustees, it has service level agreements and it can monitor that way, but I see no reference to relationships with local government in the way that they might play a role in partnership with you in ensuring that local voluntary organisations are properly monitored in this regard.

(Mr Fries) We do now have an active relationship with the new Local Government Association in a sense precisely recognising that common interest to develop understanding and contact with local organisations both in their role of trustees and providing trustees and also in their funding relationship.

33. I will just move on to a different area, if I may, of user satisfaction with your services, paragraph 3.21. I note that the charities that were interviewed by the NAO made a number of suggestions as to how your services to them could be improved. Could you tell us whether you are pursuing any or all of those?

(Mr Fries) Could I answer in two parts? First, there has been a long-running programme which we are developing of establishing more contact and understanding of charities from within the Commission. It started with a programme of secondments some years ago and developing links of all sorts with charities and, in particular, with umbrella bodies, particularly

[**Mr Hope** *Contd*]
relevant to helping and understanding the interests of small charities, for example. That is a programme that we are building up and it has been part of the work of the charity support project which I referred to. Likewise, developing user groups and consultation processes both on a standing basis and an ad hoc basis is something that we are developing. The monitoring arrangements that we have developed have, for example, involved a user group and this is certainly something that, following the Deakin Report, following this report, we do see as very important to the whole way we work.

34. I am surprised to see, at paragraph 3.22 and it is over the page on page 50 at the top, that you are described as having looked at 232 cases involving complex issues where charities had been inefficient or operating irregularly, of which only 39 cases were reported as having been rectified. That is about a 17 per cent success rate. I have to say that looks appallingly low.

(Mr Fries) Yes, we are reviewing the way in which we categorise issues of this sort. Part of the difficulty is that the nature of charity law is a very general framework about what is in the best interests of the charity and breach of trusteeship and we are becoming doubtful whether that is a helpful way of classifying the work. If I could give one example, trustee benefit may or may not be an irregularity. There is a presumption that trustees do not benefit from their trust, but they very often may. We do find in the monitoring work, for example, that we need to look behind the apparent irregularities to see whether it is a technical irregularity or indeed not an irregularity at all.

35. Just convince me that you are not just changing the counting and the categorising to help make your figures look better?

(Mr Fries) No.

36. This will be a substantial look at the way you are providing a service?

(Mr Fries) I hope it will make the figures look better. It is meant to be more detailed.

37. But it is not just massaging the figures?

(Mr Fries) Certainly not.

38. Lastly, page 34, Figure 17 looks at the income status of registered charities, and 28 per cent of charities have no recorded income. I know the paragraph states that it refers to those which might have use of land as war memorials and recreation grounds, but 28 per cent with no recorded income seems like a lot of charities doing nothing. Why are you not doing something about those?

(Mr Fries) We have had a sample check on 15,000 charities with apparently no income and got virtually a 50 per cent response, and did indeed identify a proportion that were inactive or defunct and have removed those from the register, and others which were inactive in ways which suggested remedial action was desirable. I think 700 were referred for possible amendment or amalgamation, and that is an example of charity support work. With some 400 we drew their attention to the more flexible powers in the 1993 Act to enable small charities to spend their endowed capital for example, to spend that or to take action to amalgamate[1].

39. Based on that experience, what is your target figure for getting down the number of charities with no recorded income which should be brought to an end?

(Mr Fries) We are going to carry out a sample survey of 1 per cent of the charities whose returns under the new monitoring are below the monitoring threshold of £10,000 income a year, to see whether that is accurate. They are required to maintain accounts and make a report, but not under the new law submit them to the Commission routinely. That will be one way in which we will be able to test the majority of charities. I say 1 per cent, that actually amounts to over 1,000 of the 110,000 charities which are below that threshold. That will be the starting point for testing the accuracy of the returns and what response will be appropriate from the Commission in terms of the situation revealed. The implication, I think, is that there may be, particularly at the smaller end of the charitable sector, a lot of inaccuracies and imperfections, and I think we have to admit that may well be the case and we will have to see within our available resources what we can profitably do about that.

Mr Page

40. Mr Fries, in this mania of declaration we live in I must say that for some seven years I was the honorary treasurer of one of the larger charities in this country, in the top 50; I was also on the Committee of Public Accounts in 1990 when we had the previous evidence and we saw an example there of disaster and incompetence, a disaster in my own words which was looking for an opportunity to happen; and I must tell you straight from this report here I see that nothing has gone forward. I start from that basis and I think it is only fair you should know where I am coming from. When we look at this report we see on page 24 that we have some 8,700 charities joining every year and some 6,200[2] going every year. How many of that 6,200 were forcibly removed from the register by the actions of your officers?[3]

(Mr Fries) If you mean that we intervened to in some sense pronounce the charity not charitable, very few. This is the basic maintenance of a register of organisations accepted under the law as charitable. Our powers to intervene in that sense are essentially remedial. If we find charities which are not fulfilling the requirements of charity law——

41. Mr Fries, this is quite a simple question, how many did you take off the register because they were not acting correctly as charities?[4]

[1] *Note by Witness:* (a) 450 charities were removed from the register; (b) 700 charities were issued with advice on winding up; and (c) 430 charities were considered for removal, or amalgamation.

[2] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

[3] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

[4] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

[**Mr Page** *Contd*]

(Mr Fries) I do not know the answer to that but it will be next to none.

42. Next to none? So you are telling me the whole of this Charity Commission operation has done absolutely nothing during the years but just removed one or two, three or four?[1]

(Mr Fries) We have removed some 200 or 300—I do not have the figure here——

43. Out of 180,000?

(Mr Fries) Could I explain? One particular category I can identify as having been removed are the gun clubs where we came to the view that these were not bodies which were properly registered as charities. But our sanctions, our action, in relation to charities that are not functioning properly is not in itself to remove them, we must take remedial action which most likely is to remove the trustees and replace them with trustees who are functioning properly[2].

44. How many of those have you done?[3]

(Mr Fries) I do not have a figure, but that is one of the outcomes of our investigation work. Could I just add——

45. Mr Fries, I visited the Charity Commission specifically on this point in 1990, and I was assured there was a group or section being set up, in fact I was grilled by some of the officials there who said how positive they were going to be to make sure that charities were going to act in a charitable way and they were not going to be operating inefficiently.

(Mr Fries) And that is the focus of the integrated relationship we are now establishing under the new law with monitoring——

46. Sorry, which new law?

(Mr Fries) The Charities Act, 1993.

47. But that is a four year old law.

(Mr Fries) It came into operation in March 1996 for returns for the reporting year starting March 1996, which is why the report makes clear that we will not really be getting comprehensive returns under that until the beginning of next year. We are in fact already getting some. What we have done since the Committee's last hearing—my predecessor and now me—is develop a much more effective operation, putting more resources into investigation as the report acknowledges, and we are indeed using those powers where we are able to. In relation to your question about removals, I was perhaps too sweeping in saying that none of those removals would be the result of this sort of action, because one of the consequences of investigation may well be to lead the charity to wind up or to amalgamate or in some way to merge with another charity, so the outcome of that would indeed be a removal and there have been examples of that.

48. How many examples would you like to quote to this Committee?

(Mr Fries) I can certainly cite examples where, for example——

49. Just put a number on it[1].

(Mr Fries) I cannot give you a number.

50. I see. I mean this to help you, you are registering over 8,000 a year but one of your complaints is that you cannot monitor their accounts because they are in a non-standard form?

(Mr Fries) One of the comments about arrangements before the 1993 Act came into operation was that the accounts were not as helpful a basis for active monitoring as a standardised, properly developed system of accounts——

51. I understand that.

(Mr Fries)——that we now have put in place, and I would like to claim on behalf of my colleagues that the way in which the Commission has responded to this Committee's concern about the Commission's competence on accounting matters has been fully met, that we have, under the auspices of the Accounting Standards Board, produced a statement of recommended accounting practice for charities which provides that framework.

52. Can I stop you right there and ask, do you insist that every one of those 6,000, whatever that figure is, 6,200[2] that join every year have to comply with that standard accounting practice?

(Mr Fries) The simple answer is yes. It is slightly more complicated in that the law sets minimum accounting standards. The statement of recommended practice is, as its name suggests, recommended, but that is the basis for monitoring under the new procedures and the first thing that happens when returns are sent to the monitoring unit, the Charity Database Division, is that compliance with the terms and requirements is checked. I ought to add that the 8,752 charities registered in 1995 and the number, whatever it is, for 1996, a good many of those will no doubt fall below the monitoring threshold, so in that sense they will be obliged to comply with the legal requirement of simple, good, financial accounting practice, income and expenditure accounting, and maintain those accounts so that they are available to the Commission, for example for our 1 per cent follow-up survey, to check that they are doing that, and available to the public who want to know that.

53. In short, you will not register anyone as an approved charity, despite the worth of what they are doing, unless they have agreed accounting standards that can be easily translated and added to your——

(Mr Fries) It is the other way round. A body which is a charity, ie, is seeking to do things which under our law are charitable, in the public benefit, must register and must comply with those requirements.

[1] *Note:* See Evidence, Appendix I, page 19 (PAC 87).
[2] *Note:* See Evidence, Appendix I, page 19 (PAC 87).
[3] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

[1] *Note:* See Evidence, Appendix I, page 19 (PAC 87).
[2] *Note by Witness:* The number of charities added to the register in 1995 was 8,752.

[**Mr Page** *Contd*]

54. So, in short, going all the way around the houses, you will not allow anyone to register unless they will provide their accounts on an annual basis that is acceptable to you?

(Mr Fries) No. We must register a body which is properly constituted for charitable purposes under the law which is described in the report. They are then obliged to follow those requirements, but Parliament has laid down that the majority of charities in number, the small ones with an income of less than £10,000 a year, do not have to provide the accounts to the Charity Commission, but they have to comply with the simple accounting practice and must have that accessible so that we or anyone else who wants to can check. The deregulation programme of the previous Government took the view that the right balance between encouraging charitable activity and supervising to make sure that proper charity standards were achieved should not impose the bureaucracy of annual returns and monitoring on the small charities, but the requirements are there to enable that to be checked on a selective basis, particularly of course if concerns arise in relation to the activities of a small charity.

55. I think this is maybe something on which, from the Committee's point of view, we should look forward to making some recommendations regarding the regulation to make your particular life easier. I would like to come on to the question asked in fact by Jane Griffiths when she made the point that in eight of the ten cases examined, the paperwork which showed what follow-up action had been taken was lost. Now, if you have lost the paperwork, how do you know what you are doing for the future and that your future system is going to be based accurately? If you lose your core data, then how do you know what the heck you are doing for the future?

(Mr Fries) I entirely accept that[1], but, as I said, that was at an experimental stage and that paperwork was not regarded as integral to the operations divisions work at that time. If that happens now, that will be a very serious matter, but, as I tried to describe, I believe we have management systems there to minimise the likelihood of that.

56. On page 30 of the report, paragraph 2.45, it took the Unit six months to write to a charity when its reply to the monitoring questionnaire gave cause for concern. Six months. What have you done about it? What has happened?

(Mr Fries) What we have done is now to establish the integrated monitoring that I have been describing on the basis of the experience obtained under these pilot projects where the issues to be followed up are much more clearly identified and the procedures for doing so are more clearly established and it is the responsibility of the monitoring division to resolve issues that are identified as possible causes for concern and then refer them where there are issues to follow up, so I do believe that that structure is now properly in place.

[1] *Note by Witness:* The NAO report, paragraph 2.43 states eight out of twenty cases.

57. Well, I am glad you refer to the central Monitoring Unit and I am going to look you straight in the eye and say that accounting officers have come in front of this Committee for more years than I have been on it, which is quite a long time, and they have said, "Do you know, you are absolutely right. It has been terrible, but *mañana* the sun is always going to shine" and I am now back in 1997 after a *mañana* of 1990 and the sun is not shining. I know it is not your fault. I know you have only recently been in, so you cannot be blamed because they changed accounting officers in accordance with Committee of Public Accounts interviews or the Committee system, whatever it is, but can I ask then with this Monitoring Unit why it is the fact that 85 per cent of the cases referred to that central Monitoring Unit, to the Charity Commission's investigators, were unresolved by July 1996?

(Mr Fries) Could I answer that by picking up your earlier observation that this is——

58. Some have been outstanding for over a year, not just a mere six months, but over a year now.

(Mr Fries) The three monitoring pilots were designed primarily to test the monitoring processes. They were not thought of as operational work, so in that sense in an ideal world we would have used them for productive work, but I do believe that I can look you back straight in the eye and assure you that as a result of the development trials we do now have a system which is geared to making proper use of the returns made. We will have a long way to go because this is only now starting this year, but I do believe that we have learned from those pilots and that those sorts of apparent failures will not be a feature of the ongoing system.

59. Just one last thought or one last question: with all of this happening, why should charities even bother to communicate or talk to the Commission because, firstly, the responses get lost, the files get put away if they do not get answered, but, according to this report, it took the Commission on average 57 days to reply to correspondence from charities seeking its advice on various samples and what conceivable explanation can there be for taking 23 months to reply to one charity's enquiry and why 60 per cent of the responses to the NAO's sample made were beyond the Commission's 20 days? I mean, why should any charity take the Commission seriously? All they have got to do is sit there, not reply to you and you will go away. Is that not the truth of the matter?

(Mr Fries) No. The latest figure for responding to correspondence within the 20-day target is 96 per cent, so I do believe that our timeliness has significantly increased.

60. Well, that is a dramatic improvement. How many charitable statuses have you removed because the charities have not responded to the Commission's enquiries?

(Mr Fries) The answer I gave earlier about following up nil income returns indicates that we have removed quite a number of charities as a result of that.

[**Mr Page** *Contd*]

61. But they do not count. If something is not trading you take if off the register, that is not a big success. I know of charities where the whole operation is—how can I put it—less than efficient. How many have you taken off the register because they have not bothered to reply, they have just ignored you and told you to go away?

(Mr Fries) We cannot remove a charity merely because it does not reply. Under the new data base we will follow up non-returns and we will be, as recommended in the report, in the light of experience, setting targets for returns of charities in particular according to size, and with the larger ones we shall certainly do our best to make sure there is a 100 per cent return. For the 180,000-plus charities there will be a point at which we cannot simply devote resources to following up, but——

62. So if they out-wait you, you close the file and go away? That is just what you have said.

(Mr Fries) We will have to take a view in the light of experience. As I say, the new structure, the new legislative requirements, means we shall not have had a first complete cycle until the end of next year, so over the next year we will be reviewing experience and begin to be able to take a view on how far the new structure suffers from the problems of the previous structure, which was not statutorily based, in terms of low percentage returns and how those are divided between different levels of income. Then we shall have to develop a policy and of course bid for the resources necessary to follow that up to make sure an acceptable outcome is achieved.

Mr Page: I am able to tell you, Mr Fries, you have been rescued by the Chairman who has told me my time is up.

Chairman: That being so, Mr Fries, there were a number of questions from Mr Page you could not answer and I must ask you for a note on two items. One is on those charities which were removed or amalgamated[1]—your word—because they did not measure up and why. Also the number of charities which were not responding to you[2].

Mr Williams

63. Mr Fries, may I say, like some of my other colleagues, I will be wanting to ask you some questions in closed session which I know will be a disappointment to certain people sitting in the public gallery but propriety I think requires we do it that way. Mr Page and I are similar veterans of this Committee—he has survived the process better than I have! He refers to the 1991 report. It was not exactly a glowing report, was it?

(Mr Fries) 1991 was of course before my time, but my impression looking back at it is that it did acknowledge quite significant progress from what we must all accept was a very damning report in, I think, 1988.

64. So there is a chequered history as far as the Commission is concerned, but you became Chief Commissioner the following year?

(Mr Fries) 1992, yes. Could I say that I think it is an improving record rather than a chequered record.

65. That is exactly what we intend to explore. If we look at page 17, Figure 9, this deals with staff numbers. There has been what I have described as the less than glowing report from this Committee in 1991, you were appointed in 1992, and we find that staff numbers hit their peak not long after you took over, in 1993. Does that mean 1993 was a time of excellence in the performance of the Commission?

(Mr Fries) Aside from the question of whether numbers equals excellence, there is a particular reason why there was a peak then, and that was to do with the 1992 Act as it was first passed, which was consolidated with the 1960 Act into the Charities Act 1993. The reform programme, which was triggered by this Committee's report in 1988 and led to the Government's White Paper, envisaged a switch of resources in particular divesting the functions of the Official Custodian for holding charities' investments, and that, because of the timing of the legislation and the need for quite a long-running programme which I myself inherited for divesting the Official Custodian of that work, there was a time-lag before the saving on staff that that programme involved was realised. So it was built into the public expenditure plans that the Commission would be declining.

66. So what we have seen is a 16 per cent or 102 cut in the numbers of staff as revealed in that particular diagram?

(Mr Fries) It means the number of staff——

67. No, it must mean that because you agreed the report.

(Mr Fries) It means the staff which were engaged ——

68. Do you disagree with these numbers?

(Mr Fries) I do not know about the numbers precisely.

69. That is all I need to know at this stage. There has been a 16 per cent cut from a period which you admit was not a period of excellence, after a period when you had a not very glowing report from this Committee. If we look at Figure 32 on page 58, this is a diagram showing causes for concern found to be substantiated following investigation. This is based, in fairness, on a sample undertaken by the NAO, and again these are figures which you have agreed. In fact, 95 per cent of the causes for concern were as a result of maladministration, deliberate malpractice in a third of the cases, and fundraising abuse in 14 per cent of the cases. Those are all pretty serious reasons for a concern, are they not?

(Mr Fries) Yes, indeed.

[1] *Note:* See Evidence Appendix I, page 19 (PAC 87) (Qs 40-49).

[2] *Note by Witness:* The number of charities not responding to the Commission's 5th mailing exercise carried out in 1996 were: 37,370 (24%) not providing Annual Returns; and 36,062 (31%) not providing accounts.

[Mr Williams *Contd*]

70. Yet you have been cutting back on your manpower. Let us take, following on the line Mr Page has taken but from a slightly different angle, deliberate malpractice. There were 124 cases found, what action was taken in those 124 cases?

(Mr Fries) Could I make a comment on the staff before coming on to that?

71. I really do not want to pursue that much longer because, like Mr Page, I am time-limited. Let us concentrate now on the consequences, if that is what they are, of the staffing changes. What about the 124 deliberate malpractice cases, was any action taken against them?

(Mr Fries) Action will have been taken to tackle the issues. There are various forms of action which can be taken as a result of investigations.

72. Any serious action? Anyone required to be removed or anything of that sort?

(Mr Fries) Removal of trustees is a particular action, and quite often the result of an investigation is a change of trustees which may happen as it were voluntarily.

73. So in how many of those 124 cases did that happen?

(Mr Fries) I cannot link the figures for action with that particular outcome.

74. You will let us have a note on that?

(Mr Fries) Yes, I will let you have a note on investigation action[1].

75. Sorry, it was not 124, it was 204, I was looking at the wrong note (*sic*). Then there is the deliberate malpractice, the 124 cases there, which is very serious.

(Mr Fries) That was the category I was thinking of particularly in terms of removal of trustees or change of trustees.

76. But I would have thought that would be clear in your mind. Surely deliberate malpractice is something you must frown on? It must be burnt in your soul if it is a very frequent occurrence, you must know what has happened there?

(Mr Fries) I can tell you that we appointed 19 new trustees and removed 9 as a matter of formal powers.

77. You removed 9 from 124 cases of deliberate malpractice?

(Mr Fries) I do stress that trustees ceasing to be trustees most commonly happens on a voluntary basis rather than actually using statutory powers.

78. I see, so in addition to the 9 there will be some who chose to go voluntarily rather than face the indignity of being asked?

(Mr Fries) Certainly.

79. That clarifies the position slightly. Perhaps you could let us know how many are in that category as well.[1] What about the fundraising abuse, again a serious matter? 55 cases there. How many people were in any way penalised for that?

(Mr Fries) That will often involve liaison with the police with the possibility of prosecution. I do not have the figures for prosecution outcomes, but the most serious cases will involve police action rather than Commission action.

80. You see, there we have a series of very worrying cases, with maladministration being the least serious probably, but you had abuse and you had deliberate malpractice and yet we are told by the National Audit Office that the Commission does not make full use of information on trustees in relation to the people who are unsuitable individuals, that your information is not comprehensive and applications are not being checked against records of unsuitable trustees. That sounds almost, well, it sounds absolutely neglectful, does it not, not almost?

(Mr Fries) What we are now doing is seeking to assess at the time of registration whether there are any doubts about a charity which, among other things, may include doubts about trustees so that we can keep a better watch on such charities, but in the context of investigation, there we are talking about action to be taken once issues of concern have come to notice and the effect of the better integrated systems that we will now have with our better powers under the 1993 Act will enable us to link these processes.

81. You see, you are talking to a Committee that works on the basis of information often found by looking at the accounts. That is what the National Audit Office primarily does for us and that is what we spend a lot of our time on and that is where we discover a great deal of abuse and yet we find that, according to the NAO, you set a target for obtaining 80 to 90 per cent of the accounts of active charities by 1994 and you have not yet increased that target, as one would expect you to do, to take account of the fact that the 1993 Charities Act requires the submission of accounts and only 61 per cent, two-thirds, of what you set as your target was obtained in 1995. It is small wonder there is abuse, is it not?

(Mr Fries) The latest figures were 69 per cent as the final outcome of that return which again, I should stress, was before the statutory monitoring structure came into operation and for the largest charities it was 96 per cent and that is for charities with an income of over quarter of a million.

82. But that is below a target which was not even up to date because the target had not been modified to reflect better the advantages which were given to you by the Act, so the incompetence is even greater.

(Mr Fries) But recommendations 2 and 3 in the report charge us with setting these targets in the light of experience under the monitoring requirements that are only now coming into effect[2] and we shall set

[1] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

[1] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

[2] *Note by Witness:* Under the 1993 Act, approximately 30% of registered charities now have to submit their accounts to the Charity Commission.

[**Mr Williams** *Contd*]
realistic targets, and particularly for the larger charities demanding targets, for making sure that we can get a return of accounts and in particular 100 per cent——

(Ms Berry) We are still, as I said earlier, expecting a 100 per cent return for those charities with an income of over £250,000 a year and, if I may repeat, it is only this year that we are able to get the accounts in under the new regime and, therefore, it is only this year that we will actually know what the returns are going to be which will give us the sorts of information that you are asking for.

83. Who set the 90 per cent target?
(Ms Berry) We have set a 90 per cent target.

84. Why did you set a 90 per cent target if you knew you could not achieve it?
(Mr Fries) The previous target, which was, I think, set by my predecessor at the hearing seven years ago, was set in a very different context and, I think he would acknowledge, before we had had experience of how realistic it was to obtain information, so it was a demanding target. We have to acknowledge that it did not prove possible under the non-statutory processes to achieve that and indeed——

85. Yes, but then in that case you should have modified it downwards, which you did not do, and it sounds like an exercise in continued masochism, does it not?
(Mr Fries) Well, we have been gearing our processes to establishing the right framework for a very different statutory structure which the 1993 Act sets.

86. But, you see, according to the National Audit Office, you consider, not you personally, you, the Commission, consider that the monitoring of charity accounts is of limited value until revised standards of accounts and reports come into effect. If it is of limited value, why did you bother to set high targets and then dismally fail to meet them and, secondly, one would question as an accounting Committee whether obtaining those accounts could possibly have been of limited value?
(Mr Fries) I think those words can be taken literally, "limited value". It is important to have the accounts of charities. For effective active monitoring we believe that the accounts produced under the SORP (Statement of Recommended Practice) requirements will be a great improvement, but I am not saying that there was no point in having accounts previously and, as far as the target is concerned, I do not think we suffered by, as it were, inheriting that target and trying to improve the return of accounts from charities; it is just that that experience has shown how we should go about it under the new legislative framework.

87. You see, that again does not make sense because having failed to get anywhere near your target and having dismissed reaching your target as being necessarily all that important because you were not sure that it was going to be worthwhile, we then discover, according to the NAO, that one-fifth, 20 per cent, of the reports and accounts that you did obtain and did examine required further work and then, lo and behold, you lost the paperwork and in the cases where follow-up work was required, when the NAO wanted to find out what had been done about it, for some mysterious reason the documentation had slipped through the floorboards.
(Mr Fries) As I was explaining earlier, I think you are talking about the monitoring returns under the pilot, the developmental project, and I have already acknowledged that it is of course regrettable to lose papers, but I do believe that we have systems that will not have that result in the future.
Mr Williams: May I say that there is a series of other examples of what I regard as neglect or incompetence here and now all testified to by the NAO and I must say that this is one of the gloomiest and most dismal reports I think we have ever had to hear about.

Mr Leslie

88. It is difficult to know where to start. As already mentioned by Mr Williams, the 1991 report was not glowing, but this report by the National Audit Office is not very glowing either, is it?
(Mr Fries) I think it reflects a record of development that is acknowledged in the report itself, that we have made important progress in producing an effective operation that provides the right balance of support and supervision of charities.

89. I am just struggling really to find many success stories actually, to be honest. Effectively this report is a report by a group of auditors about a body which is essentially an audit body in itself, is it not? Your role is basically as an auditor looking over these charities?
(Mr Fries) No, I would not say that we are an auditor. The relationship of the Commission to charities is a mixture of legal support and regulatory input. Part of it is auditing which is why the Committee was so concerned, in particular, at its first examination in 1988 at the lack of the accountancy skills, but an important part of it is the legal framework, the legal integrity of charities which links with financial governance and management integrity.

90. But your role is to make sure these charities are acting with the greatest propriety?
(Mr Fries) Our fundamental role as set out in the Charities Acts certainly from 1960 has been to use our powers to enable charities to operate, to use their resources more effectively. In that sense, it is a promotional and support role first and foremost.

91. I think this might be where things are going wrong, you know. I wonder whether you are focusing the aims and objectives of the whole organisation sufficiently properly, because a lot of the worries which have been expressed so far are about whether you are following up a lot of these charities on their propriety. Is there anything to stop A N Other person setting up a charity, ripping off thousands of people, getting all the tax benefits and continuing to do this

[**Mr Leslie** *Contd*]
for years and years? Is this question of propriety being sufficiently addressed in your organisation?

(Mr Fries) I believe it is. The report acknowledges that we have, I think the words they use are, "effectively doubled the staff engaged in monitoring and investigations". So from the original report which indicated the Commission was making very little use of its intervention powers, we have put a significant focus on that.

92. How many staff are involved in monitoring investigations now?

(Mr Fries) It is about 90.

93. Out of how many staff?

(Mr Fries) Out of 570.

94. Is that a sufficient ratio? Are you happy with that?

(Mr Fries) Yes, I believe so. I would just support that by emphasising that as part of the reorganisation of the Commission and bringing in better management, we have sought to focus the investigation function so that it is more sharply targeted at cases, particularly abuse and maladministration. Although they are the least of the number of cases that we find, that is because that is where, as you say, the confidence in the charitable sector is most at risk and where powers of intervention are necessary and appropriate. But I would like to stress that the Commission's origins are as an effective substitute for the Chancery Court to provide legal services, you might call them, to charities, and that is a continuing necessary part of the way our charitable system operates.

95. You say you provide support and that is the main function, but what I am aware of is the enormous amount of criticism about the delays there are in providing this support if at all, if it ever actually turns up. I know you have a lot of requests for support and you have identified about 4,000 people who need support from your monitoring, and yet there is very little action. In talking about delays, why is the average length of a case 222 days?

(Mr Fries) That is not so now. I quoted the figure earlier of 96 per cent of charity support cases being dealt with within the Citizen's Charter target of 20 days. That is a considerable improvement and that is in relation to a charity support workload of about 24, 25,000. I would not want to say that support is more important than investigation, the point I am seeking to emphasise is that the Commission has a broad range of functions which reflects the particular nature of the charitable sector, for instance in terms of the legal framework that it must operate to, which is a legal inheritance but which is fundamentally there to reflect the independence of charities and the fact that charities are there for the public good and the legal role is a very important part of our work. Equally, the relationship the Commission must have with the charitable sector must, I believe, reflect the fact that it is trustees who must decide how they are going to seek to fulfil their charitable objects. The Commission does not have the power, indeed explicitly is prohibited in the Act from engaging in the administration of a charity——

96. I realise that but I am concerned that there is a Charity Commission going along with £23 million-worth of taxpayers' money, doing various amounts of work, and there is a whole load of charities out there which have very poor interaction with you. I think there is a greater need for you to connect with a lot of these charities. That is just a comment because I want to follow up the question about the pilot questionnaire you developed to look at this whole matter of support and investigation. You sent it to a variety of people to help and develop their annual returns and encourage them to do them because, as has already been mentioned by Mr Williams, there is a very poor record of getting these returns from charities. When you got this information from the questionnaire, did you use any of that information?

(Mr Fries) It was used.

97. How?

(Mr Fries) As I have said before, it was not seen as part of the core work of the Commission, but the returns were used apart from their prime function of enabling us to develop monitoring systems so that, if I could just take the liberty of commenting on your earlier remark, I do not believe it is the case now that the charitable sector does not engage with the Commission. It used to be put in terms that it would be bad news to hear from the Charity Commission but if a charity kept out of the way there was no risk of that happening. The reform programme has meant that the great majority of charities are not only accessible to us but do engage with us, and the growth of our charity support work is a reflection of that relationship. On the use of the material which came in from the, I think it was, 10,000-or-so monitoring returns that was the sum total of the three pilots, we did seek to make use of that, but as I have emphasised, at that stage, not in an integrated way. It was at a time when the charities support divisions had a very substantial workload and it may be regrettable but was perhaps understandable that this additional work was not then integrated and was not seen as a priority.

98. So the questionnaire was trying to encourage people to put in returns and they went to all that effort, filling in the returns, sending them back, yet that information was not actually used in checking the accounts and the propriety of those organisations themselves?

(Mr Fries) I think it has been invaluable in enabling us to develop a comprehensive monitoring framework which we are now using, that enables us to engage in a meaningful and productive way with the charitable sector.

99. But it is also about co-ordination, is it not? That was a typical example of how one arm of the Charity Commission seemed to be doing one thing and yet it did not connect with what the other arm should be doing.

[**Mr Leslie** *Contd*]

(Mr Fries) I think that is unfair. The nature of a development programme is to make sure that when it goes live, as it were, as part of the Commission's operations, it has been developed in a way which makes it effective. A development project is by definition not an integrated part but it was done consciously and under proper oversight and, as I said earlier, with the right sort of consultation with the charitable sector to make sure it was effective.

100. So that sort of thing is never going to happen again?

(Mr Fries) I am not sure how apologetic to be for that, because this was a development project and in that sense was designed to produce the results which I would want to come back in a year or two years' time to be able to demonstrate is an effective working, monitoring relationship, identifying issues which we are taking effective action on, and I am confident that that is what is happening.

101. So on future projects, when you are going out talking to the charities, you are going to make sure you use the quality of information you get from them on all aspects of——

(Mr Fries) Not necessarily. If it is a development project the first importance is to make sure, if we are developing a system, that we develop it effectively for proper use. We do trial operations and so far as possible make use of the material, but the point of a development programme is actually to make sure it functions properly.

102. The problems I see in this report are that you are too slow, you have a very poor record, you have insufficient response from the charities and insufficient support for the charities, there are a lot of delays and there is a lack of co-ordination. This is all from this report. What is it actually going to take for your organisation to clear up this mess? Does it need a complete, radical overhaul? Does it need a whole fresh look at the organisation of the Charity Commission itself?

(Mr Fries) A complete, radical overhaul is what we are going through and that is the point of the legislative framework that is being set up. It is a radical overhaul in the sense that it is not simply the way in which parts of the organisation function, but they have, if one wants to use that jargon, the whole business of being re-engineered from being a body which was primarily operating on the basis of a legal orientation to one that now has a broad range of skills and expertise and integrated operational systems, robustly developed, that is able to achieve what Parliament has tasked the Commission with doing as from last year. So in a sense I make no apology for the fact that this has been a growing process, but it is fundamental and the test is how we make effective use of the active relationship which the Act envisages for the Commission. Indeed what I would say about our relations with the charitable sector is that there was welcome for the aspiration to make the Commission more customer-oriented and I do believe that the customer satisfaction survey results that we get, for example, 85 per cent of charities say they are satisfied with the response that they get, that that is a sign that we are making very good progress in that respect. Indeed I would go further to say that we are now beginning to get beyond that, as it were, honeymoon period and the implication of an active Commission intervening with charities is producing some of the sort of reaction from charities which one might expect.

Mr Leslie: Well, if that is the honeymoon, fingers crossed for the rest of the marriage!

Mr Love

103. We have been here before, as a number of the Members of the Committee have said, as there were reports in 1988 and 1991 and you have commented on them. We have this report before us. How satisfied are you in the light of the changes brought about by the 1993 Act that this agreed report is good progress for the Charity Commission?

(Mr Fries) It was inevitably a view of progress at that time and on that basis of course I accepted it. I believe that it was a study of the Commission in the process of development and that programme of development and improvement is continuing.

104. Can I refer you to figure 2 on page 4 which is your performance indicators? Now, I am aware that you have indicated that some of those figures have changed since this report was drawn up. I want to refer you to the part on monitoring and to two issues in particular. First of all, in terms of the charities submitting accounts where in this projected year it is 53 per cent, I believe that has gone up to 69 per cent?

(Mr Fries) Yes.

105. Can I just ask, first of all, whether that is within the timescale that you have set, whether the 53 per cent is within the timescale and people have subsequently submitted accounts or are all of those 69 per cent within the timescale that you have set?

(Mr Fries) Yes is the simple answer.

(Ms Berry) If I may say, there is a difficulty because of the different financial years that different charities may have. As you can imagine, they have a variety of financial years, but basically the answer is yes.

106. But would you accept that if you look at other sectors that do this, like the company sector, it is critically important that you get your accounts in within a specific time-frame because you need to move on to the following year and if you have people dribbling in at certain times——

(Mr Fries) Yes.

107. You have assured yourself that the numbers that are coming in within the timescale that you are setting is increasing on a year-by-year basis?

(Mr Fries) The new framework which, as Ms Berry says, is not a simple financial year framework because there is a rolling sequence of years that charities account to, but the framework is for producing accounts and making a report for the year reporting within ten months after the end of that year. Now, what we will do under the new law is to take the date on which the new law came into operation, 1st March 1996, so for reporting years starting then, and when

[**Mr Love** *Contd*]
that complete cycle has been completed, then we shall be able to review progress on that, but by that time of course charities will be into their second year.

108. Can I take the next portion of figure 2 which is accounts examined where it appears that the numbers are likely to be going down. It is a projected figure and I do not know whether it has changed yet, so I ask the question.

(Mr Fries) Can I just give you the final figure for that year? It was 11,561 where it says "6,340".

109. So you are telling us that your projected figure is actually half of what the final figure ended up being?

(Ms Berry) That is right.

110. Does that show a good projection? Surely you have a closer idea than that? This is not a criticism and obviously it is good news that you have boosted the number of accounts that you have examined, but surely you should have a much better idea? Have you put resources into this towards the end of the year which you had not originally intended?

(Ms Berry) The original target was 9,333. This was of course a year of enormous change and a year in which we were bringing in many of our new computerised systems and indeed were putting new resources into that and moving people across into that to ensure that we did achieve it when it looked, at the point when the NAO were coming round, that we were only going to hit that figure, so we transferred the resources across and indeed came out with the figure of 11,561. I think what I would like to say is that what we very much recognise is that the last two years have demonstrated an enormous change. On the sorts of issues of timeliness, our performance has improved by 20/25/30 per cent in different areas in the last 18 months/two years, and of course that is not reflected in the year end report. They are figures that were not in some of the year end data which I believe we submitted beforehand and we could certainly do an up-to-date note on them if that would be helpful now[1].

111. Can I just make a comment about targets in general and raise an issue which was raised in the report, and that is that of course targets are fine, but when you find that you are in a small number of cases not meeting them, you tend to put them on the back burner and this was commented on in the report, that when the responses had gone over the target time, they tended just to leave them so that they could catch up with the others which were still within the time limit. Now, that argument could be used for all of the targets you have set. What can you say to us to give us confidence that that is not happening within the Charity Commission?

(Mr Fries) I think the particular thing I would want to say about that is that we have developed quality assurance processes which review a sample of cases, 5 per cent of cases dealt with, to make sure that they are being handled properly and part of their being handled properly is to make sure that cases are not closed in order to achieve targets and that cases are not neglected because they have gone over target. If I could take the 20-day target for charity support work, we now have a procedure to pick up cases which have gone beyond 20 days where a more senior member of staff will examine a case to make sure that there is action before 30 days and it is mechanisms like that which are designed to improve the operation.

112. Does that show up in the figures? Do you keep figures if you have gone over your target time for 30 days, 40 days?

(Ms Berry) Nothing goes beyond 30 days. We have a 100 per cent success rate in picking them up within 30 days as in the last few months. We have put in new systems which have now achieved this.

113. Can I move on to the table which was commented on earlier, Figure 32 on page 58, where we have causes for concern? It has certainly been my impression, and I think the impression of other members of the Committee, that the Commissioners have not taken these issues of maladministration and abuse as seriously as perhaps they should have been. I wondered with the new powers available to you under the Act whether you feel you are now making proper use of those powers in order to address these concerns?

(Mr Fries) Yes. What I would say to support that would be in particular the resources we have put into the investigation side of the Commission. First of all, there was the reorganisation of the Commission to improve management within the Commission, and then the review of the investigation function itself. I believe that those steps have meant that the investigation function is now a much stronger function of the Commission, from, I think it fair to say, a base when investigation was not something the Commission saw itself as engaged in. So it is a relatively new sphere of activity and one that is now integral.

114. The reason I ask that, going over the page to Figure 34[1], is that it does not appear, just taking a cursory glance and referring that back to the 186,000 charities there are in this country, that extensive use is being made of the powers available to you. That could be because charities are essentially well-run and are free of fraud and corruption. I suspect our view would be it is more widespread than indicated or highlighted in these figures. Can you give us some reassurance that you are tackling these issues with the new powers you have available?

(Mr Fries) We have been engaged in investigation work for some years now and it has been a fairly consistent finding from the range of sources that hitherto we have had, which highlight potential issues of concern which might need investigation, that abuse and deliberate maladministration is very much the minor issue in the charity world. Fundraising is perhaps a different issue and one we are specifically addressing to see whether we are making better use of our powers in relation to fundraising. But I would say our experience is that it is issues of competence

[1] *Note:* See Evidence, Appendix 1, page 19 (PAC 87).

[1] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

[**Mr Love** *Contd*]
rather than lack of integrity which characterises the charitable sector, and that the greatest value that the Commission can bring to enhancing the effectiveness and credibility of the charitable sector is by the work we do in improving standards, while of course making sure that we have a robust and vigorous and effective investigation function. That is certainly our aspiration.

115. Can I finally go on to the charities who fall below the 10,000 threshold that has been set in the Act? I understand that although it is a large number of charities, it is a small amount of the money, 3 or 4 per cent. Doing a quick calculation that still ends up being over £600 million-worth of people's money given to charities. I was somewhat concerned by your earlier comment that you were not quite sure how the Commission would get in touch or try to elicit from those charities the information that would give you assurance that everything was well. I wondered what thoughts you had on how that could be done in order to safeguard what is, although small spread widely, a very large sum of money?

(Mr Fries) The money may of course come from all sorts of sources and quite a lot of it may, I suspect, particularly for the smaller charities, be old endowments, old parish charities and that sort of thing. There are two things I would say. One is that we are seeking to become more effective in the way we work by programmes of visits and surgeries and co-operation with umbrella bodies representing the charitable sector, which enables us to reach small charities in a much more effective way. We are also developing risk analysis procedures to identify areas where there may be particular risks, by looking at the trustee structure, for example, by looking at the nature of the charity and so on. That is the sort of programme we will have to develop in the light of our experience of how, under the new structure, we are able to keep in touch with small charities given the relief Parliament has given us, if you like to think of it like that, from active oversight of what you rightly say are a large number of charities which collectively do involve a substantial amount of money. I think the question will be how we are best able to identify patterns using our sample follow-up to the small charities to see what areas do give grounds for concern. I certainly would not want to leave the impression that just because a charity appears to have an income of less than £10,000 a year we should neglect that. Confidence in charities is as much affected by the way in which small charities are seen in their area as larger ones, and we are very conscious of that. I hope the relationship with bodies like the councils for the voluntary service which can act as both our links and our partners in working with the charities in their area, which is something we have built up quite a lot recently, will be an effective way of addressing the sort of concerns you are rightly expressing.

116. The one thing you did not mention there was that, as I understand it, the Charity Commissioners have approval under the Act to go back and ask for further powers, for changes in the law, in order to address any issues you feel are not being done. The impression I get is that in reality it is extremely difficult under the law as it stands for you to be assured you will get the information required from all these small charities, and in effect we are in a sense writing them off because of that fact. I wondered whether you had given any serious consideration to addressing whether there may be powers you would require in order to fulfil the assurance function with these smaller charities?

(Mr Fries) We are certainly very conscious of that strand and have been engaged in working closely with the deregulation, now the better regulation, initiative to try to make sure the powers are appropriate. The law has moved quite a long way in terms of recognising that the structure of small charities which has been inherited, and which I believe this Committee was concerned about in the past, has been made much more flexible, and that is quite a large part of the charities support work which we are trying to streamline to develop quicker and easier information about the way in which small charities may become more effective. Certainly if our experience suggests that we need a different sort of relationship or powers of oversight, it is one of the advantages of being a government department, albeit a non-ministerial one, that we do have that link into the political process.

Maria Eagle

117. Mr Fries, I have been struck listening to my colleagues and your responses by your complacency, I have to say. I took the view when I first read this report that it was still pretty damning, but that perhaps it might represent some progress over the even more damning reports of the past. However, I must say that listening to you, you have rather put me in a tougher frame of mind. I want to have a look initially at the way in which you operate your own organisation and can you, therefore, turn to page 17 and figure 8 on the deployment of staff? Now, this shows the proportion of your staff working on each of your main activities and I am struck by the fact that 30 per cent work in resource management and other, which seems to me to comprise of other types of management plus your IT system. What is resource management[1]?

(Mr Fries) That comprises personnel, training, finance, and it also includes the basic support staff, like messenger services and so on, so it is a somewhat misleading figure in that some of those staff do contribute directly to the operations as well as essential functions in terms of finance and training.

118. That is a pretty high figure for what is essentially senior management, is it not?

(Mr Fries) No, no, it is not senior management. Senior management is very small.

119. I accept that messengers are not senior management, but it seems to me that those sorts of functions, resource management, operational management, it is all people who are running the organisation, but not carrying out the functions, is it not?

[1] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

[**Maria Eagle** *Contd*]

(Mr Fries) I would say that it includes finance with the Efficiency Unit which is part of that is an essential function for making sure that we do indeed improve our management.

120. I am sure it is essential and I am not suggesting that you have staff not committed to it. What I am questioning is the percentage of staff who appear to be committed to running the organisation rather than carrying out its functions and it appears to me to be at least 30 per cent. Now, do you think that is basically accurate?

(Mr Fries) IS, for example, the information technology part which is under "other" which is part of that 30 per cent, that is an absolutely essential function.

121. What percentage of that 30 per cent are your IT staff?

(Mr Fries) They are currently something over 20 total staff.

122. Twenty staff?

(Mr Fries) Twenty staff, yes.

123. So 20 out of 200 or so? That would not take that percentage down too much further, would it? It seems to me that you are slightly top-heavy in terms of people running around deciding how things should be done rather than carrying out the functions. If we look at two of your important functions, investigation and monitoring, you have 8 per cent of your staff dealing with each one of those and that is significantly less than the 30 per cent dealing with running the Commission, is it not?

(Mr Fries) As I say, resource management and other comprise a number of different functions and I would say that it is not a question of being top-heavy because the senior management is not a very large component and they are involved in, in one way or another, contributing to the effectiveness.

124. Okay. I would like you to turn to page 9 and recommendation 7 of the report, paragraph 18. This is in relation to one of your other main functions which is support for charities. It talks half-way through the paragraph about things like, "Staff are also beginning to specialise on particular issues and types of charity". Now, I would have thought it would be essential, given the range of charities and issues that they cover, that your staff who are dealing with supporting them would specialise. Can it really be the case that you are only just now starting to have your staff specialise?

(Mr Fries) No, is the simple answer to that. We have had specialist sections and in the past the Commission tended to operate particularly by having particular sources of expertise and that is the way that we are developing. We continue to think about whether particular parts of the charitable sector ought to have special sections, but in general we think that that is an uneconomical way of allocating staff, that it is better to have someone, for example, who is recognised as having expertise, say, in dealing with the almshouse part of the sector rather than there being a specialist section so that one gets the best use of expertise.

125. Well, I think specialisation in an organisation such as yours is absolutely essential to effective working, whether it is providing support, monitoring or whatever, and investigation too. On page 22, paragraph 1.16, there have been issues raised before by this Committee about the mix of qualifications of staff that you have had in the past. Here we see that you now have nine qualified accountants which I understand is a significant improvement on the past when you did not have any at one stage. If we take a look in paragraph 1.16 at what they have been spending their time doing, they are contributing widely to the development of Commission policy and operations, they are providing technical advice on casework and the development of your monitoring system, training to other Commission staff on accounting issues, advice to charity representatives, so there is some contact, on new accounting procedures, and undertaking detailed examination of the accounts. Now, I would have thought that only the last two of those are really doing the job that you have got an accountant in to do. What percentage of your accountants' time is spent dealing with looking at accounts for irregularity?

(Mr Fries) I cannot give you a percentage[1], but what I would say is that it is very important for Commission staff to have the basic ability to deal with financial and accounting matters themselves and, therefore, training Commission staff is actually a very important key function and being available as a professional resource for issues that demand the inevitably more expensive professional resources, so of course we have to keep this balance of organisation under review. Indeed I might use this opportunity to say that we now have twelve qualified accountants and also ten trainees, so we do recognise the importance of building up the accounting function, but I think, as has happened with the legal function, the way we develop has to be to enable the front-line operational staff to develop the range of skills needed with expertise of various sorts in support and that is the framework of our development.

126. Certain professions might call that "de-skilling", but it is an interesting approach to dealing with the legal and accountancy profession. Back on page 8 and paragraph 17 and back to the recommendations, this is dealing with the issue of support for charities again. There are some comments here which I just want to take up with you about the way in which your targets and what one might broadly call "quality assurance" are affecting the way in which your staff are actually working. Half-way down that paragraph it says, "The National Audit Office found that some cases had been closed prematurely and then reopened. Cases already outside the 20 day correspondence target", and that is working days, which to most people is a month, not 20 days, "were sometimes being allocated a low priority, because further work on the case would not contribute to achieving the target". I have worked in organisations running with targets and quality assurance and it is rank, poor management when staff are

[1] *Note by Witness:* Just over 30% of our accountants time is devoted to looking for irregularity.

[**Maria Eagle** *Contd*]
affected in that way to meet targets because they are forgetting what they are there to do and they are just turning all their attention to keeping the line management happy. Now, do you accept that that is going on in your organisation and, if it is, what are you doing about it?

(Mr Fries) As Ms Berry said earlier, we now have a 30-day fall-back to make sure that actions happen and management oversight to make sure that the targets are not distorted. I certainly would very much accept that the danger of targets of this sort is to lose sight of the actual substance and that is a prime focus of the quality assurance process which, incidentally, includes making sure that the professional issues have been satisfactorily dealt with, that cases have been referred to accountants or to lawyers if the complexity required it, so I believe that the quality assurance process is geared to keeping an oversight and that balance between timeliness, which has been the great complaint of the charitable sector of the Commission, and quality.

127. I still think that the picture I built up from these examples is of an organisation that has not got to grips with managing its staff and making sure you are carrying out your core functions efficiently. I want to move on to the question of investigation which I think is very important. You said to one of my colleagues that you saw the Charity Commission primarily as a legal service to charities in replacement of the old Chancery Court, and although clearly a function I find that a remarkable way of defining your role as a Commission. I think what the public see you as is a guarantee that the charities they give money to are properly run and effective. I do not want you to comment on that but I want to have a look at the question of investigation and how well you deal with that. We are looking at page 51. Some of my colleagues have already raised the question of investigations not being carried out frequently enough where potential abuse is discovered. I wonder if you are satisfied yourself that your investigators go in often enough where issues are raised?

(Mr Fries) I think the development of the evaluation process means that we do now have an effective way of assessing the range of material that would potentially give rise to investigation and making sure that proper cases are referred for investigation and that the investigation function operates robustly.

128. Who is it who investigates in your organisation? Do you have lawyers? Who investigates? What sort of skills do they have?

(Mr Fries) The investigation division is basically staffed with administrative civil servants recruited from a range of backgrounds and in particular, as I think the report notes, we have drawn in staff from, for example, Inland Revenue, Customs and Excise, people who do have an investigatory background and experience.

129. And you provide some form of training, I expect?

(Mr Fries) Yes.

130. To ensure that the quality of investigation which is carried out is satisfactory?

(Mr Fries) Yes.

131. I want to use a case which came to me from a constituent. I am not allowed to mention her name but I will give you the set of facts. She was somebody who worked for an educational charity, it was a school, and she was a whistle-blower, she raised issues of what she thought was lack of propriety and trustees running off with money. She was sacked for her pains and is still awaiting an industrial tribunal. She was not satisfied with your investigation, you decided there was no problem which required you to go further and there are some issues which concerned me when I read your report. For example, your investigator went to talk to the people who were accused as one would expect, the trustees, but did not go and interview her. Is that normal practice, not to get full details of the allegations?

(Mr Fries) In general investigators would check the range of sources of information, in particular the person who brings the complaint to us. That is normally the starting point.

132. She of course had written a letter to you but was not then interviewed so she could not give you full details of her allegations. There were allegations, for example, of things like petty cash vouchers going missing, £100 missing from petty cash. Your investigator accepted *ex post facto* evidence that things had been put right later which did not actually deal with the issue of whether there had been wrong-doing in the first place, and upon that basis your report said in a number of places things like "allegation unfounded". Do you think that is a sufficiently robust quality investigation?

(Mr Fries) Not the way you put it. I take it, it would be wrong in this context to identify the case concerned but I would certainly be——

133. I will write to you certainly.

(Mr Fries) Yes.

Maria Eagle: What it raised for me was a general issue of the quality of investigation when you do get round to investigating and whether or not the public can be satisfied that some people who often take great personal risks, as this lady did and ended up without a job as a result of her action, can be satisfied you are going to be sufficiently robust in investigating the issue. I think that is all I have to say, Chairman.

Mr Campbell

134. I will be brief. I was not actually going to intervene at all but I would like, if I may, to go over some points colleagues have raised where I am not happy with the answers given. I want to start with Figure 8 on page 17 and look at the balance of staffing which is, at the end of the day, a management issue. We have identified about 30 per cent in resource management and you have explained to my colleagues why that is. If we look at the relatively small percentage involved in investigation and monitoring, you have told us those figures in terms of numbers have increased, but let us have a look in terms of

[Mr Campbell *Contd*]

outcome. If you look at page 56 and Figure 31, you had the huge target of 80 per cent of evaluations completed within two months of the receipt of the complaint, and yet we find that was only actually achieved in just over a quarter of the cases. If we look at investigations on page 57, we find, correct me if I am wrong, before April 1996 you had a target of 75 per cent of the investigations being completed within 12 months but in fact not only did you not meet that target you no longer formally monitor that target either, presumably because you were not meeting the target, and we have heard something about the optimistic levels that some of your targets were set at. Do you want to comment on that?

(Mr Fries) Evaluation is the first stage to see whether investigation is appropriate and we are nearer to achieving the 80 per cent target—74 per cent is the figure I have for this year—within two months. The length of time an investigation takes is much more a matter of the nature of investigation and it is very difficult to set targets that, as it were, are a good test of the quality of investigation. It is more important, we think, to have a clear focused aim in starting the investigation and to pursue it vigorously.

135. But the average time for investigation after the complaint has been made is 21 months. The average time after the evaluation has been completed is over a year.

(Mr Fries) I do not have figures——[1]

136. You have told the Committee the balance of staff you have, and you are quite happy that, as I read it, only 16 per cent of your staff are actually involved in investigation and monitoring.

(Mr Fries) The figures in the report inevitably related to cases that had been closed up to the time of the report, which did not include cases that were being dealt with under the improved management arrangements. I do not think we have figures here about the length of cases now.

137. You also make the point that your success is where there has been most recent investigation, where the clues, if you like, are warmest. What I would put to you is that it is the older cases, where you have not been able to follow them up more quickly (and I agree the trail is possibly colder) where people could be getting away with it over a very long period of time. Is that fair?

(Mr Fries) That may well have been so, yes.

138. We can then put that together with other targets that you have set. In Figure 15 on page 32 we have charities providing returns to you, and if I read it right about a third of charities slipped through the net because again you did not hit your target. If we then look at how many charities have actually responded to your request for annual accounts, we learn again that although the figure has admirably gone up to 69 per cent, you failed to hit the target. If you add those together, and forgive me if I am wrong on this and this is too simple, there is growing evidence that anyone could slip through the net over a long period of time. If we are talking about the same people, even if you identify them, you are talking about a devil of a long time before you get round to putting anything right?

(Mr Fries) If I may, it is a bit simplistic to link those processes, because the mailing was testing out our ability to maintain an accurate register, which we are aiming to improve. The return of accounts and reports is the return of substantive material on the basis of which we may be able to take constructive action, but the source of investigations is likely to be only partially that routine material and we shall always be dependent on information, which is why we would be concerned if we did not follow up vigorously complaints brought.

139. Precisely but, forgive me if I am wrong, you are talking about people who actually respond to your requests plus those whistle-blowers may well complain to you about. I am talking about people who systematically fail to respond to requests from you and, as a result, you either do not get to them or, when you do get to them, because you are relying on whistle-blowers or someone to complain, it is taking you such a long time before you actually agree whether or not there is a problem.

(Mr Fries) Where investigation is concerned, we do use our powers to require information. I think the figure for last year was 300 orders.

140. But we are still talking about two different groups of people here. We are talking about people that are drawn to your attention or who do, as you request, draw themselves to your attention. I am talking about people that you cannot find and identify. There is a group in there, is there not?

(Mr Fries) I do not think there is that simple link between causes of concern brought to us and response to mailing. We may well find that a charity that we can follow up because it is on the register and we are able to impose an order requiring information has failed to respond to the return. Now, that will in itself be a possible cause for investigation and indeed linking returns and how we can best enforce returns may well involve the use of powers in that way.

141. I can see what you are saying, but I am not sure it actually answers my point. I would just finally like to say this, Chairman: you spoke of your assumptions about the motives of some of those people involved in maladministration and you seem to imply, correct me if I am wrong, that they often did not, in your view, intentionally set out to maladminister and it is a question of supporting them and educating them and giving them guidance, whatever. We have heard that before from other organisations and it leads us often where there is a lot of public money involved, and we have heard the phrase already this evening, to suggest a certain complacency in that. There are assumptions that you begin with and it then sets the ethos for your organisation and it then can often, and this concerns me greatly, means that you do not pursue effectively

[1] *Note by Witness:* In 1995–96, 37% of evaluations were completed within 2 months; in 1996–97 the figure was 69%; the projected figure for 1997–98 is 74%.

[**Mr Campbell** *Contd*]

enough what is happening to public money, not just the public money that is given to you to spend to discharge your duty properly, but other money which is given by the public to charities.

(Mr Fries) It has been commented, for example, by the Deakin Commission that the advice and regulatory functions are difficult to combine and I would certainly accept that. I would not accept, particularly as we have developed and focused the investigation function, that we give undue priority to the advice and support function. In terms of workload, it is the greatest and indeed the preventative work in that context is beneficial in preventing things from getting to the point where investigatory functions are needed, but I do believe that having focused investigation divisions separated from the advice, guidance and support work is the way to structure the Commission so that we avoid falling into that trap. Now, I have been accused of complacency and I would not want to give the impression of being complacent about that. It is something that we will have constantly to develop to make sure that investigation is properly effective, alongside encouraging and supporting what is the mass of committed charitable activity.

142. I hear and accept what you say, but you would also accept that that view is open to dispute?

(Mr Fries) Yes.

Chairman: We are now about to go into closed session. Can I just say for the benefit of the public that this Committee takes great pride in the transparency of its proceedings and normally holds as much as possible in the open, but sometimes the evidence we take can prejudice proceedings elsewhere, so I am afraid we have to have a closed session.

EVIDENCE HEARD IN PRIVATE

Mr Williams

143. We have been inundated with representations about the RSPCA. Now, it is one of the biggest charities with £85 million reserves and £40 million a year income. Have you had a great many representations?

(Mr Fries) There are a number of different aspects in relation to the RSPCA which has been something we have been very actively engaged with ever since I joined the Commission from a number of points of view, but I suppose the particular focus of controversy is on their campaigning activities and their relationship to, in particular, issues like hunting and so on and legislative activity.

144. But the issues we are getting are different. They are more a matter of what is alleged to be almost intimidation of local branches. We have this enormous organisation with its £85 million reserves and yet if a local branch wants to carry out a project, it expects that local branch to raise its own money. I have a branch in my own area which raised £1 million and found itself almost bankrupted by the requirements imposed from the centre by the RSPCA. I know you are familiar with this as I wrote myself to you at one time about it and I know that it may go back into court which is why are doing this in the way we are, but there was an article in May, I do not know whether you saw it, in *The Guardian Weekend*, four or five pages, which listed a whole catalogue of disputes with branches where branches had actually been closed down and the courts have forced the RSPCA to open them again, people have been thrown out and the RSPCA was forced to renew their membership. It seems that there is something rather sick in that organisation. Is this not something that you should be concerned about when so much money is at stake?

(Mr Fries) We are working with the RSPCA itself, the central RSPCA, in reviewing it structures and that is relevant, I think, to the relationship with branches. The fact that branches are, as I understand it, separate charities mean that there is inevitably a potentially rather difficult relationship and the RSPCA having a particular structure which in particular involves an elected council means that the branches are properly represented at the level of the RSPCA and its governors.

145. On the local issue, there was a formal complaint to the Charity Commission that a branch had mishandled finances. On the basis of that, you issued instructions that it should be disbanded and the RSPCA has subsequently withdrawn this allegation, so it says in the document, and there is a strong suspicion that you are altogether far too cosy with the central RSPCA.

(Mr Fries) I hope not too cosy. We, of course, see it as our responsibility to work with them to try to make sure they have an effective constitution and management structure.

146. Rather than delay proceedings now by going into great detail, because we are only hearing one side of the story and RSPCA Central is not here but you have been involved, could you let the Committee have in writing a list of the various representations which have been made to you against the RSPCA[1] and an indication of what action was, if any, taken in response to those allegations?

(Mr Fries) We certainly can.

147. We want full information.

(Mr Fries) Complaints of that sort, so far as I am aware, have actually been very few.

(Ms Berry) Very few.

148. It would obviously be helpful. All we want to get at is what is true and what is not.

(Mr Fries) If it will help the Committee I will send in a short note which identifies the complaints and perhaps puts that in the context of the work we seek to do with the RSPCA, so you can form your view on whether you think we are too cosy and have too much of a cosy relationship to the disadvantage of others.

Mr Williams: Thank you. That is all I want to ask.

Chairman: Any more questions? Mr Fries, thank you and your colleague for coming today to give evidence.

[1] *Note:* See Evidence, Appendix I, page 19 (PAC 87).

APPENDIX 1

SUPPLEMENTARY MEMORANDUM FROM THE CHARITY COMMISSIONERS FOR ENGLAND AND WALES (PAC 1997–98/87)

Regulation and Support of Charities

Qs 40, 41, 42, 43, 44 and 49

The number of charities removed from the public Register of Charities as a result of action by the Charity Commission are:

4,358 in 1995/96

8,206 in 1996/97

The 1995/96 figure is made up as follows: those that in response to our monitoring programme, have been identified as ceasing to exist 3,305

Those that, in the majority of cases with the Charity Commission's assistance, have amalgamated with another charity 408

Those that have ceased to operate or to be charitable 645

The 1996/97 figure is made up as follows: those that in response to our monitoring programme, have been identified as ceasing to exist 7,807

Those that, in the majority of cases with the Charity Commission's assistance, have amalgamated with another charity 143

Those that have ceased to operate or to be charitable 256

The Commission's powers to remove charities from the register are limited and deliberate abuse by individuals working on behalf or as employees of a charity, does not mean that the charity itself can be removed.

Qs 74 and 79

The use of the Charity Commission's powers in relation to the proven cases of maladministration are:

Year	Investigations closed	Number of Powers used in these cases	% of cases where powers used
1995	204	48	12.2%(25)

The use of the Charity Commission's powers in relation to the proven cases of malpractice are:

Year	Investigations closed	Numbers of Powers used in these cases	% of cases where powers used
1995	124	18	8.1%(10)

The number of charity trustees voluntarily resigning as a result of our action with charity affairs is estimated to be 60 during the first half of 1997. This figure is based on a sample taken of one third of the cases closed this year.

The overall trend is that the Commission is using its powers in a higher proportion of its cases now than either last year or the year before.

Q110 Annual Performance Data Comparison

	1995/96		1996/97			1997/98– at end October	
	Target	Actual	Target	NAO projection	Actual	Target	Projection
Registration							
Information packs issued within 2 working days	—	—	90%	*81%*	87%	90%	92%
Applications completed in period	8950	11161	9439	*11363*	10743	9271	8367
per staff year	173	242	227	*269*	266	234	230
Proportion accepted/rejected within 15 working days	—	72%	90%	*85%*	82%	90%	79%
Quality Reviews							
Check of completed cases	5%	2%	5%	*6%*	7.50%	5%	4%
Proportion found to be acceptable or better	90%	94%	90%	*84%*	81%	90%	84%
Amendments to the Register carried out by RME							
Completed in period	17110	19520	16872	*25847*	24,300	15233	21461
per staff year	296	356	662	*983*	955	674	984
Updated within 20 working days	—	—	90%	*87%*	85%	90%	92%
Database & Monitoring							
Proportion of charities responding to annual mailing	90%	74%	90%	*78%*	76%	90%	22% (YTD)*
Proportion of charities submitting accounts	80%	61%	80%	*53%*	69%	80%	13% (YTD)*
Review of accounts							
Completed in period	8000	6344	9333	*6245*	11561	6000	6000
Per staff year	178	178	190	*142*	168	118	173
Causes for concern referred to Charity Support or Investigations Divisions	400	165	500	—	936	600	600
Charity Support							
Cases closed in period	21682	21987	24410	*25921*	25763	23263	23657
Cases closed per staff year	154	168	162	*188*	186	167	179
Correspondence—substantive response within 20 working days	—	65%	90%	*76%*	77%	90%	96%
Quality Review							
Check of completed cases	—	7%	5%	*5%*	5%	5%	5%
Proportion found to be acceptable or better	—	69%	90%	*70%*	76%	90%	91%
Inefficient or irregular operation cases							
Number of cases closed	—	—	not set	*1493*	1434	—	960
% followed up and rectified	—	—	not set	*55%*	52%	—	71%
Investigations							
Evaluations							
Completed in period	1050	968	967	*865*	969	1152	1197
Per staff year	96	88	120	*83*	94	108	126
Completed within 2 months	80%	37%	*80%*	*56%*	69%	80%	74%
Investigations							
Cases closed	724	485	not monitored	—	—	—	—
Proportion closed within twelve months	75%	38%	not monitored	—	—	—	—
Funds protected							
Total (£ million)	£37m	£23.3m	£23m	*£28.4m*	£18.3m	£32.5m	£31.6m
Per staff year (£ million)	£0.9m	£0.8m	£1.96m	*£1m*	£1.48m	£0.98m	£1.52m
Correspondence—substantive response within 20 working days	—	—	90%	*81%*	79%	90%	93%
Quality Reviews							
Check of completed cases	5%	2%	5%	*11%*	13%	5%	6%
Proportion found to be acceptable or better	90%	86%	90%	*91%*	87%	90%	89%
Inefficient or irregular operation cases							
Cases closed	—	—	—	*255*	212	—	341
% followed up and rectified	—	—	—	*78%*	87%	—	74%

**no charity has yet reached the 10 month deadline for submission of accounts*

Q8 Figure 34 Update

	1993	1994	1995	1996
Orders for information/meetings	145	104	130	238
Banks accounts frozen	51	34	45	52
Trustee or management prevented from acting	23	30	30	89
Trustee appointed	23	11	3	19
Trustee or management removed	3	0	9	9
Receiver manager appointed	1	4	3	9
External auditor appointed	0	1	0	0
Charitable assets recovered from debarred trustees	0	0	0	0
Prosecution for failure to provide information	0	0	0	0

Q 22 Staffing

Resource Management

Includes 25 paperkeepers who manage the movement and storage of the Commission's case files. This contributes directly to the efficiency of the operational function.

Others

Senior Management in the Commission is carried out by 4 members of the Senior Civil Service.

Staffing in the IT function is 23

Regional office managers and their immediate staff contribute directly to the operational function.

Q 146

Glamorgan–Swansea, Neath and Port Talbot
Branch Treasurer complained of disagreement with HQ concerning a project to build a new animal centre:

The Commission conducted discussions with the parties and were concerned that Branch funds were at risk. The Commission used its statutory powers to appoint a receiver manager to ensure that the first phase of the animal centre was completed. On completion of the building the receiver manager was discharged.

Glamorgan–Swansea, Neath and Port Talbot
The ex-chairman complained that the Society has withheld from him financial information relating to the current financial year:

The Commission provided copies of the accounts for 1996 and explained that there is no legal requirement to make the information requested available. It could not direct the charity trustees to provide the ex-chair with the information he requested.

Charity Commission for England and Wales
3 December 1997

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